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INFO RUEHAC/AMEMBASSY ASUNCION 3707  
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RUEHBU/AMEMBASSY BUENOS AIRES 1222  
RUEHBR/AMEMBASSY BRASILIA 0619  
RUEHCV/AMEMBASSY CARACAS 1903  
RUEHPE/AMEMBASSY LIMA 5892  
RUEHMN/AMEMBASSY MONTEVIDEO 4174  
RUEHQT/AMEMBASSY QUITO 2059  
RUEAIIA/CIA WASHDC  
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RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC

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STATE FOR R/MR, I/PP, WHA/BSC, WHA/PDA, INR/IAA

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SUBJECT: CHILE MEDIA REPORT - JANUARY 6

#### Leading Stories

1. Dailies highlighted President Michelle Bachelet's announcement of a USD 4 billion program to reactivate the economy; and OAS Secretary General Jose Miguel Insulza's official statement declining to run for the presidency of Chile.

#### U.S.-Related News

2. OAS Secretary General Jose Miguel Insulza's decision not to run for the Chilean presidency caused surprise among ambassadors of the OAS member states. Allegedly, Insulza is planning to seek re-election at the international organization. Unidentified sources close to the Secretary General have said that two weeks ago, U.S. Ambassador to the OAS Hector Morales told Insulza that his country endorsed the idea that he remain in his current position, but if he were determined to leave the OAS and run for the presidency of Chile, they would expect his support in preventing Venezuela from gaining the OAS seat. In Santiago and elsewhere in the region, it has been acknowledged that the atmosphere in Washington was becoming increasingly complex for Insulza. (La Tercera, conservative, independent, circ. 101,000, 1/6)

3. OAS Secretary General Jose Miguel Insulza's decision to decline from running for the presidency will keep him in Washington until the end of his tenure in 2010, and in a condition to be thinking about re-election. Colombian Ambassador to the OAS Camilo Ospina noted that the stature gained by the organization under Insulza's tenure makes him a good candidate for re-election. (La Nacion, government-owned, editorially independent, circ. 4,200, 1/6).

4. As reported yesterday by El Mostrador online daily, Former FBI Assistant Director William Esposito and five other ex-FBI agents were fined for conducting a private investigation in Chile without having an official permit. The former agents paid a fine and left the country. (La Tercera, 1/6).

5. Chile's National Economic Prosecutor's Office (FNE) will start a probe on the prohibition imposed by Wal-Mart on D&S supermarkets for selling Cuban products. Wal-Mart recently launched a public offer to purchase the Chilean supermarket chain. PPD Legislators Eugenio Tuma and Rodrigo Gonzalez asked the FNE to investigate the case on grounds of allegedly violating free competition (Diario Financiero, business and financial, circ. 30,000, 1/6). Congressman Tuma said he also plans to raise the issue with the Foreign Relations Committee in the Chamber of Deputies and even with the World Trade

Organization, "to denounce the fact that in Chile there is pressure by foreign companies that apply measures which Chile does not share and that are related to the Cuban blockade" (La Tercera, 1/6). Although D&S has officially reported that it will stop selling products imported only from Cuba, it is rumored that upon Wal-Mart's arrival, the store will also stop carrying products from Venezuela, Iraq and Iran, due to the United States's diplomatic conflicts with those countries (El Mercurio, conservative, influential newspaper-of-record, circ. 129,000, 1/6).

¶6. A full-page color advertisement announces that the Jumbo supermarket chain will carry "products from all around the world without restrictions." The ad carries prominent illustrations of rum and other liquors from Cuba and Venezuela, along with products from Nicaragua, the Dominican Republic, Panama and Puerto Rico.

#### Local

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¶7. OAS Secretary General Jose Miguel Insulza made a 15-hour visit to Santiago to officially announce his final decision to decline from running as a presidential candidate. During a press conference, Insulza explained that he stepped down for the "unity" of the governing coalition and voiced his support for Christian Democratic candidate and former Chilean President Eduardo Frei. The Christian Democratic Party (DC), the Socialist Party (PS) and the PPD started negotiations towards an agreement proclaiming Frei as their candidate, instead of holding primaries. (All dailies 1/6).

¶8. The Government of Chile announced an ambitious and aggressive plan of USD 4 million in resources to stimulate the economy. The package includes eleven measures that seek to establish conditions for a 2% to 3% annual growth rate and the creation of 100,000 new jobs. The goal is to counteract the decline of the private sector's expectations, which have caused several companies to reduce their investments, plans and staffing. Public spending will be increased to approximately US \$1.5 billion dollars, which represents a 10.7% hike. President Michelle Bachelet's announcement coincided with the Central Bank's monthly growth report released yesterday, showing a 0.1% growth in November 2008, the lowest in almost seven years. (La Tercera, 1/6).

#### Chile and Other Countries

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¶9. The Christian Democratic Party (DC) declined the Government of Chile's invitation to participate in the official delegation that will accompany President Bachelet on her upcoming visit to Cuba. Government spokesperson Francisco Vidal explained that the DC's decision is due to the fact that they will not meet with the dissidents in Cuba. Vidal explained that the President had made a determination based on protocol. (El Mercurio, 1/6).

¶10. Article on the complications faced by Chilean publishers in participating in the Havana Book Fair, February 12-22, which will be inaugurated by President Michelle Bachelet. Several publishers have opted to refrain from attending, for political and economic reasons (El Mercurio, 1/6).

SIMONS